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Central Intelligence Agency
Office of the Deputy Director for Intelligence

13 June 1983

NOTE TO: Ollie North

National Security Council

FROM : Deputy Director for Intelligence

011ie --

Attached is our paper on the Fatah mutiny as requested by Bud. Also attached is a copy of Charlie Waterman's memo on a PLO split which he sent to the Director nearly six months ago, which the CPPG asked be circulated to the members. With respect to Charlie's memo, please appreciate that it was a private communication from him to the DCI and should be handled very discreetly for that reason.

Robert M. Gates

I leave to you to circulate

Central Intelligence Agency



DIRECTORATE OF INTELLIGENCE

10 June 1983

The Fatah Mutiny: Implications for the Peace Process

Summary

The rebellion inside Fatah is likely to force a change in PLO strategy. Efforts to obtain US pressure on Israel to compromise on the West Bank/Gaza issue will decline and cooperation with Syria and the Soviet Union in pressing for a comprehensive Middle East settlement will grow. We see little chance that Arafat or any other "moderate" leader will be able to redress the balance that now tilts toward PLO radicals. The moderate Arab states are unable to reverse the PLO's move to the left, and their likely reaction will be to press the US to offer concessions on Palestinian self-determination, while accommodating to PLO internal changes. The Fatah schism has deepened West Bank concern that the PLO cannot end the Israeli occupation, but West Bank leaders are unlikely to emerge as an alternative voice for the Palestinians. Israel believes increased radical influence in the PLO will force moderate West Bank/Gaza leaders to reach an accommodation with Tel Aviv. The Soviets are supporting Arafat but hope his political weakness will force him to adopt more pro-Soviet policies and reconcile with Syria.

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This memorandum was prepared by Arab-Israeli	25X1
Division, office of Near Eastern and South Asian Analysis. It	
was coordinated with the National Intelligence Officer for Near	25 X 1
East and South Asia, Offices of Soviet Analysis, Central Reference, and the Directorate of Operations. Information as of	23X I
9 June 1983 was used in preparation of this paper. Comments and	
queries are welcome and should be addressed to Chief, Arab-	25 X 1

COPY #____ OF

Radicals on the Rise

Arafat faces a serious loss of confidence in his leadership among Palestinians at large and within the PLO. The mutiny remains confined to several hundred officers and men in the Bekaa Valley and Damascus, but many other Fatah members are sympathetic to the rebels' cause. There is a widespread feeling that Arafat has lost touch with the fighters in Lebanon and that his practice of trying to be all things to all people has resulted in drift and incoherence in PLO policy. Many Fatah members who have not overtly supported the rebellion have concluded that it was necessary to demonstrate to Arafat his increasing isolation.

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The US Embassy in Kuwait, for example, reports that even among the basically conservative Palestinian residents in Kuwait, there is a sense of policy drift within the PLO and a lack of confidence in its leadership.

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Support for Arafat's effort to fashion a PLO negotiating strategy tacitly linked to President Reagan's initiative has eroded since the breakdown in April of his talks with King Hussein. Palestine National Council Chairman Khalid Fahum in mid-May told a Western diplomat that Arafat's position in Fatah had eroded and that there was much more criticism of his actions, particularly over the PLO-Jordanian negotiations.

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Most Fatah members apparently have concluded that the political option for achieving Palestinian self-determination is effectively closed, given their perception that the US is unable to force Israel to bargain over the status of the West Bank and Gaza and that Israel in any event will not allow an independent PLO seat at the bargaining table.

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A statement issued in Damascus in late May by six Fatah officers announcing their support for the rebellion blamed the political dialogue pursued by Arafat for hurting the Palestinian movement.

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We believe that Arafat's efforts to draw closer to Syria, begun even before the mutiny, and his failure to resume personal contacts with King Hussein indicates he believes the Fatah consensus does not support efforts to link the PLO to a US-sponsored peace process through coordination with Jordan. Arafat's talks with Hussein broke down when the Fatah Central Committee almost unanimously rejected a tentative agreement

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Fatah moderates, although they will have to accept a shift in emphasis to armed struggle, may in the near term be able to get the PLO to advocate military action as an adjunct rather than a substitute for diplomatic activity, leaving open the possibility that the organization can return to the negotiating track if the prospects of obtaining political dividends improve. PLO radicals, however, will press for a PLO commitment to a long-range strategy of mobilizing opposition to Israel through the radicalization of the Arab world and the overthrow of conservative Arab regimes. This strategy is likely to appeal to increasing numbers of Palestinians as continued Israeli settlement activity in the West Bank leads them to conclude that the Palestinians have nothing about which to negotiate.

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The Beneficiaries: Syria, Libya, and Maybe Iran

Syria is the primary beneficiary of Fatah's troubles. President Assad is now assured that the PLO will not be able to act independently of Syria in the peace process, thereby reasserting the critical role of Damascus in Middle East peace making. Assad is free to pursue his strategy of using the Palestinian issue as a bargaining chip to gain concessions for Syria on the Golan Heights issue.

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Syria's enhanced influence over the PLO also gives Damascus increased leverage in dealing with the moderate Arab states. Syria now will be seen as having more ability to sponsor and control Palestinian terrorism, giving Damascus a lever to press the Arabs--especially Saudi Arabia--for political and financial support. This threat will become more real if:

- -- Arafat and his remaining supporters are ousted and Syria gains control of a radical-dominated PLO willing to use terrorism against the moderate states.
- -- The Syrians decide that Saudi Arabia and other moderate states have become obstacles to Syria's realization of its Middle East goals.

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There is a potential for friction between Syria and the Only a few of the political leftists among the Fatah rebels. rebels are willing to accept Syrian guidance of the PLO. Most of the radicals want to remain free of Syrian control, and will protest if the Syrians become too demanding in pressing for Palestinian subservience to Syrian interests. Rebel leader Colonel Said Muragha is an outspoken Palestinian nationalist. George Habbash and Nayif Hawatmah, the leaders of the two most influential PLO groups after Fatah, would also be reluctant to sacrifice their reputations among Palestinians by being perceived as Syrian puppets. These two Marxist leaders over the past few months continued to maintain friendly relations with Arafat, despite the bitter animosity between Arafat and Assad. identity of views between the Syrians and PLO radicals on most key issues, however, may make moot the question of Syrian-radical differences, unless Syria is perceived to be selling out the Palestinians and attempting to reach a separate settlement with the US or Israel.

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Syria is sensitive to these Palestinian concerns. We believe its objectives will be largely fulfilled if it obtains a PLO that follows the Syrian lead on major issues but maintains enough independence to be accepted by the Palestinians and the Arabs as a credible representative of the Palestinians.

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Libya has gained some increased influence in the PLO by supporting the Fatah dissidents. $\space{-0.05cm}$

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He is likely to increase his aid if the dissidents

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gain favor within the PLO. The mercurial Qadhafi may have begun to hedge his bets as well; following his definite loss of the OAU chairmanship on 9 June he has redirected his attention to the Arab arena, and may have arrived at a preliminary reconciliation with Arafat. If a full-blown rapprochement results Qadhafi will not necessarily curtail his aid to the rebels and to radical Palestinian groups in general—though he may promise to do so—but he will become more discreet.	25X1
If the reconciliation with Arafat does materialize, Qadhafi will expect to have a greater voice in PLO affairs regardless of who comes out on top. Any increase in Libyan influence is likely to be minimal, however. Whatever the resolution of the leadership issue, the PLO will be forced to take its political cues primarily from Syrian. Iran has an opportunity to gain greater influence with Fatah by providing financial aid to the dissidents.	25X1 25X1
	20/(1
Iran has the resources to equal the aid provided by Saudi Arabia and other Gulf states, currently the major sources of Fatah and PLO funds. An Iranian decision to provide substantial aid would encourage the militants to continue efforts to undermine Fatah moderates, even if their overt rebellion ended, by easing the dissidents' concern that a more radical PLO might lose moderate Arab financial support.	25 X ′
Impligations for the Arch States	
Implications for the Arab States	
The weakening of the PLO's moderate wing has revived the fears of the moderate Arab states that they will eventually face a radicalized PLO backed by hardline Arab states and bent on their destruction as well as the elimination of Israel. A senior Saudi Foreign Ministry official told the US Deputy Chief of Mission earlier this month that the Saudis believe PLO proponents of military action, including terrorism, will gain the upper hand. The moderate Arabs have depended on Arafat to control the radicals and particularly to prevent terrorism against the Arab states. Most of the moderate states would prefer to see Arafat remain in power, but they are prepared to deal with any other generally accepted leader that might emerge. They would hope that any new leader would not be measurably more radical, but they would welcome relations with any PLO leader willing to reciprocate.	25X1
The moderate Arabs, if they perceive PLO radicals are	
continuing to gain ascendancy over the PLO moderates, are likely to focus more on attempts to change US policy than on attempts to isolate politically the Palestinian radicals. King Fahd probably would seek a public statement by the US expressing unequivocal support for Palestinian self-determination in order to strengthen PLO moderates and revitalize the peace process. Moderate leaders will probably conclude that, on balance, the radicals have more	
leverage over them than they do over the radicals.	25X1

In 1982, the Arab states provided \$2 billion to Syria, including \$900 million from Saudi Arabia. Manipulation of financial aid has not in the past, however, provided the Arabs with much leverage to alter Syrian policies, and it is unlikely to be an effective instrument in preventing Syria from gaining more control of the PLO or the Palestinian radicals from undermining the PLO moderates. The Palestinians, on the other hand, can launch terrorism against the Arab states and support their domestic dissidents.

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Even if the PLO came under radical domination and turned against the moderate states, many moderate leaders like those in Saudi Arabia, Kuwait, and the UAE would continue to support the organization in the hope of ameliorating radical hostility. As long as the Arab consensus supports the concept of Palestinian self-determination, the moderate Arab leaders will be hard-pressed to alter their view that they cannot risk directly opposing PLO policies on the Palestinian issue, however much they might differ with PLO strategy.

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Implications for Israel

We believe the Israelis are pleased with the unrest in Fatah because they believe it will loosen the PLO's hold on West Bankers and perhaps lead moderate leaders in the occupied territories to consider joining the Camp David autonomy talks or enter into direct negotiations with Israel. Moreover, radical pressure on Arafat to drop his diplomatic approach almost certainly will lead to diminished international pressure on Israel to accomodate Palestinian demands and will spare Tel Aviv the difficult decisions it would face if Arafat did agree to recognize Israel.

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a return to terrorism will decrease the PLO's acceptability as a negotiating partner and thereby further erode international

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Implications for the West Bank

pressure on Israel to deal with the Palestinians.

The split within Fatah and the likelihood of increased Syrian and radical influence over the PLO will provide more evidence to West Bank moderates that the PLO cannot be counted on to end the Israeli occupation. West Bank leaders, however, are unlikely to emerge as a credible Palestinian voice in support of the peace process. They will probably conclude that enhanced radical influence in the PLO increases the threat to the personal safety of any Palestinian that strays from the PLO line. The West Bankers' assessment that Israel at best is prepared to grant only limited autonomy is likely to restrain whatever inclination some West Bank leaders might have to join negotiations.

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The West Bankers' frustration with both the PLO and local moderates will probably cause increasing numbers to join the Muslim-Brotherhood. The Brotherhood over the past year has become more active in the occupied territories and attracted many new recruits. Soviet Reaction During the past two weeks, Moscow has weighed in with	25X1
support for Arafat's leadership:	25X1
Salah Khalaf, a close aid to Arafat, announced recently in a Moscow press conference that Andropov had sent Arafat two letters endorsing his leadership. Although the Soviets probably will try to exploit Arafat's weakness to move him toward a stronger rejection of US proposals for an Arab-Israeli peace settlement, they probably will continue to support his leadership and PLO unity, and will urge a reconciliation between Assad and Arafat. Moscow apparently is calculating that:	25X1
 A united PLO, reconciled with Syria, could help unify all Arabs against the Lebanese-Israeli accord and any US-brokered peace plans for the Middle East that exclude Moscow. A PLO feud at this time, in contrast, would distract the Palestinians from support for these broad Soviet objectives. At the same time, Moscow wants to preserve a strong PLO independent of Syria. The Soviets probably believe that Arafat is the PLO leader most capable of doing this. 	25X1 25X1
Implications for the US The Fatah mutiny and the rise of radical and Syrian influence in the PLO has ended any remaining chance of Arafat's approving Jordanian participation in expanded peace talks. King Hussein accepts this view, and believes Jordan and the US must begin exploring alternatives to keep the peace process alive. He has not settled on a firm course of action, but in general favors building up West Bank and Gaza leaders as an alternative voice to the PLO. The US Embassy reports, however, that there is no real evidence that the Jordanians are actively pursuing greater involvement in the occupied territories or taking steps to challenge other outside influences there. The Jordanians believe the US must take the lead in encouraging the West Bank and Gaza leaders to act independently to join the peace process.	25X1
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Saudi Arabia and other moderate Arab states will largely blame the US for Arafat's predicament. They are unhappy with his vacillating policies, but believe the US unwillingness to support Palestinian self-determination and its perceived failure to halt West Bank-settlement activity or to secure a timely Israeli withdrawal from Lebanon undercut the PLO moderates and encouraged	
the radicals to mount their challenge to Arafat.	25X1
The Saudis	25X1 ⁻
will probably be less willing to be identified with any new US peace initiatives that fall short of support for Palestinian self-determination.	25X1
Assad's renewed grip on the PLO will increase his confidence that the US must now accept Syria as the principal Arab player in the peace process. Assad will be more inclined to hold out for major concessions in return for a Syrian withdrawal from Lebanonlooking for a new US peace initiative that deals directly with the Golan Heights as well as the Palestinian issueand more confident that the can manage the crisis while he	
waits.	25 X 1

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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

NIC 10587-82 30 December 1982

MEMORANDUM FOR:

Director of Central Intelligence

Deputy Director of Central Intelligence

FROM:

Charles E. Waterman, NIO/NESA

SUBJECT:

Implications of a PLO Split

The hypothetical possibility exists of a split in the PLO should Arafat make a statement recognizing Israel, and endorsing a formula for Jordanian/Palestinian negotiations with Israel. Little thought has been given to the plus and minus of such a development. The attached memo, drafted by ______ in consultation with our consultant ______ draws the conclusion that such a split would be positive from the point of view of our interests. It is being given informally to several appropriate Assistant Secretary level officials.

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Charles E. Waterman

Attachment: Memo

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NIC 10587-82 30 December 1982

MEMORANDUM FOR: Director of Central Intelligence

Deputy Director of Central Intelligence

SUBJECT:

Implications of a PLO Split

NIC/NIO/NESA:CEWaterman:jcn

30 Dec. 82

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Attachment:

Memo

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Implications of a PLO Split Resulting From Adoption by Arafat of Moderate Policies

This memorandum examines the likely implications of a major shift in policies by the Palestine Liberation Organization's leader Yasir Arafat, and a resultant split in the organization. It posits that Arafat, contrary to many observers' expectations, decides to break with his traditional penchant for an ambiguous policy inclination and gives Jordan's King Hussein a meaningful mandate to enter into direct negotiations with Israel (probably reserving PLO veto rights over the substantive elements of the talks) and also issues a statement recognizing Israel's de facto existence (although probably not its "right" to exist). Such a policy reversal appears unlikely but is possible. An examination of its implications illustrates why Arafat has been reluctant to move in this direction.

A key element in PLO policy formulation on this subject is Arafat's calculation of the likely US response. Arafat would want to ascertain in advance of such a shift the American quid pro quo. This paper assumes that the US responds to the PLO initiative by holding publicized direct discussions with PLO representatives and urges Israel to enter into talks with Hussein but does not recognize the PLO as "the sole legitimate representative of the Palestinians" or use military and economic aid leverage to pressure Israel into major concessions on the West Bank and Gaza.

Reaction in the PLO

Arafat's actions would provoke a major crisis in the PLO and almost certainly cause the organization to split. The Syrians would play a major role in this process. President Assad has made no secret of his opposition to a closer Arafat-Hussein arrangement or to a recognition statement. While there is a remote chance Assad would try to jump on the peace "bandwagon" to avoid being isolated, it is far more likely Syria will strongly resist any PLO-Jordanian initiative.

Syrian surrogates in the PLO, principally Saiqa and the PFLP/GC, are not strong in numbers or political appeal, however, and Assad would have to try to wean other Palestinians away from Arafat to provoke a serious split. The upcoming Palestine National Council meeting in Algiers could be a critical testing ground of Syrian appeals.

A key target will be George Habbash's radical PFLP. Habbash has generally deferred to Arafat's leadership since the Israeli invasion of Lebanon began but he would be strongly tempted to break with Arafat in this scenario. Habbash doubtless has leadership ambitions and is a long-time opponent of recognizing Israel. The pro-Soviet Marxist DFLP would also be an important Syrian target. DFLP leader Hawatamah might stay with Arafat, however, since the two have worked closely together for some time. An important influence on the DFLP would be the Soviets.

This memorandum was prepared under the auspices of the NIO/NESA.

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The most important targets for Syrian subversion of Arafat's influence would be within his own Fatah organization. Leftist Fatah leaders like Abu Salih would be unhappy with a move towards Amman and Washington. Salah Khalaf, better known as Abu Iyad, would also be pitched by the Syrians to break with Arafat.

Although Arafat enjoys unrivaled prestige within the Palestinian movement, his ability to hold his troops together would depend on several factors. Most critical will be his ability to produce results. US willingness to talk with the PLO would be vital.

Also important would be the Arab reaction. Jordan obviously would be supportive. Egypt and Morocco have both urged Arafat to move forward and presumably would back him. The Saudi reaction is less predictable but would probably also be positive (although Riyadh would seek to avoid an open break with Syria and might try to mediate between Arafat and Assad). Iraq would probably not play a key role given its preoccupation with Iran.

Even in the best circumstances Syria would gain some adherents. Some 270,000 Palestinians live in Syria. Moreover, PLO fighters in Syria and Syrian-occupied Lebanon -- currently the overwhelming majority -- could be disarmed by the Syrian military if they refused to break ranks with Arafat. Fatah could thus be denied the use of much of what remains of its military apparatus.

Nonetheless, we believe most of the PLO would remain loyal to Arafat. He might lose the PFLP and some leftists like Abu Salih, but most of Fatah and the PLO apparatus would, at least initially, back Arafat.

Terrorism Implications

The Syrians probably would gain the backing of those non-PLO Palestinian groups that have been actively engaged in international terrorism in recent years. These groups (principally May 15 and Black June) already have some connections with Damascus and probably would be willing to join any new anti-Arafat "Steadfastness" rival PLO.

More importantly, the Syrians might use these groups to initiate a terrorist campaign against Arafat and his supporters along the lines of the bloody Iraqi-Fatah feud in 1978. Jordanians might also be targeted and Assad could also seek to back up the terrorist intimidation by massing troops on the Jordanian border as he did in November 1980. Finally, the Syrians might seek to engage the services of other non-Palestinian terrorists like Carlos or ASALA to assist in plots against Arafat.

West Bank Reaction

West Bankers and Gazans would back Arafat for the most part. Although a few West Bank leaders have Syrian connections (ex-Nablus Mayor Bassam Shaka), most have long urged the PLO to accept Israel as a reality and join—into the peace process actively. This support might ebb, however, if Arafat failed to get results, especially from Israel.

Israeli Reaction

Tel Aviv's reaction to a shift in Arafat's stance is difficult to predict because few Israelis expect the PLO to ever demonstrate a willingness to compromise. -Many -- including Prime Minister Begin -- would interpret Arafat's tactics as a "trick" designed to win world sympathy and US recognition. Some Likud hardliners would probably urge Israel to refuse any talks with Jordan and to annex the West Bank. On the whole, however, this extremist view is likely to be a minority.

In time, a change in Arafat's position could lead to some shifts in Israeli domestic opinion about the Palestinians. This would be especially true if Hussein began direct talks with Israel and, paradoxically, if extremist Palestinians targeted Arafat and other moderates and thereby provided more credibility to the PLO mainstream's willingness to pursue peace. These changes in Israeli opinion are likely to be incremental, however, unlike the dramatic shift in thinking after Sadat's visit to Jerusalem in 1977.

Implications for the US

Would the peace process be assisted or hampered by the PLO joining the negotiating process and splitting as a result? On balance, we believe it would be a positive development. A PLO shorn of its most extreme elements, and perhaps induced through the internal debate necessary to produce a position leading to US-PLO negotiations, would produce both a weaker Palestinian movement and one more clearly committed to a political solution than at present. This would be a desirable development, and would probably mean that a somewhat weakened PLO would see that it needed to ally itself with Jordan, Egypt, and Saudi Arabia in order to keep from drifting into obscurity, and perhaps more importantly in order to stand up to the opposition from Syria and more hard line Palestinian elements.

If, by chance, a split within the PLO proves to be more serious and to have deeper consequences, it could mean that the PLO as a whole is reduced in importance in the future, and that it also might ultimately allow negotiations to proceed with Jordan and West Bank Palestinians playing the lead role. For the moment, however, the PLO can do one thing that no one else can do in the Arab world: that is to legitimize peace between Israel and the Palestinians. A PLO shorn of its rejectionist elements could do this nearly as well. If a PLO leadership, presumably consisting of Arafat and his colleagues, could be convinced to take the step of recognizing Israel, even with conditions attached, it would have historic importance and would make it difficult for any other Arab party to continue to deny Israel's existence. It is for this reason that cooptation of the Arafat portion of the PLO into the peace process seems to be a preferable development to that of total exclusion, even if this action leads to a breakoff of the PLO's radical factions.

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PLO Forces Under Syrian Control/Influence

Lebanon

13,000 - 16,000

Syria

5,300

(Source: Embassy Damascus)